

Power Shifts Are Coming

Five years ago, the state's largest investor-owned energy companies were Puget Power, Washington Natural Gas (WNG), Washington Water Power, and Pacific Power. Since then, Puget and WNG have merged into Puget Sound Energy, Washington Water Power has renamed itself Avista and embarked on a new corporate strategy, and Pacific Power has become part of Scottish Power, an international utility company.

While mergers in the telecommunications field have gotten most of the press, changes in the energy industry are as far reaching and important to consumers. Quietly, the energy industry is transforming from one of "integrated" companies that produce and distribute power on a monopoly basis, to one where functions are performed by different companies and competition is emerging. The stakes are especially high in Washington state. Energy rates here are among the lowest in the nation. Adapting to changes in energy markets without raising rates will prove a delicate trick.

The enormous influence of the Bonneville Power Administration, and the state's mix of publicly- and privately-owned utilities adds a layer of complexity to the industry structure and public policy discussions. The recent Endangered Species Act listings of numerous salmon runs will require us to find the right balance between power production and environmental restoration.

While consumers aren't going to wake up overnight and see the level of retail competition that exists for telephone service, new choices are coming. New technologies that are being introduced promise to further shake up the industry. How will the affect the service you receive and the rates you pay? **Turn to pages 4 and 5** for a description of the Washington energy market, the key changes that are occurring, and what it might mean for ratepayers in coming years.

Pipeline Safety Improvements Proposed

Pipeline safety isn't as visible a UTC function as telephone or energy regulation, but its importance was brought into sharp focus last June when a fatal pipeline spill and explosion in Bellingham led to a comprehensive review of the state's pipeline programs.

Both the UTC and the state Department of Ecology regulate intrastate pipelines. Ecology focuses on spill prevention and recovery, while the UTC works on safety issues for natural gas and hazardous liquid pipelines. Neither the UTC nor Ecology has authority over interstate pipelines, such as the one in Bellingham.

In response to the accident, Governor Gary Locke appointed a Fuel Accident Prevention and Response Team, which evaluated the current system of pipeline regulation and response, and recommended improvements.

The recommendations, which have been proposed to the legislature, include establishing a Pipeline Safety Improvement position at the UTC. This person will work with Congress to increase the state's role in regulating interstate pipelines and will coordinate state pipeline safety efforts among various agencies.

Continued on page 3

COMMISSIONERS CORNER

By
Chairwoman
Marilyn Showalter

The UTC's mission is to protect consumers by ensuring that utility and transportation services are fairly priced, available, reliable and safe.



Setting rates may be the most traditional part of accomplishing that mission, but I want to highlight an increasingly important part of our work. As regulated industries have become more complex in structure, we find ourselves increasingly involved in regional and federal policy issues.

For example, the light switch in your house is connected, through the western power grid, to light switches in Arizona and British Columbia. The grid itself covers the entire western United States and NW Canada. We are affected, in terms of both price and reliability, by prices and practices in other western states.

Nationally, electric restructuring legislation could raise our power rates while lowering others. Regionally, the federal Bonneville Power Administration is reviewing how it allocates and how much it charges for Columbia River hydroelectricity. The result could significantly affect customers of our state's electric utilities.

Continued on page 7

UTC Debuts New Consumer Website, Brochures

Web surfers take note -- the UTC has opened a new website specially designed for consumers. The new site (www.wutc.wa.gov/consumer) offers "survival kits" for customers of telephone, energy, water and garbage collection companies. Each kit provides information on choosing and starting service, managing deposits, reading bills and understanding the changing competitive marketplace and how it affects consumers.

The new consumer page can help telephone users navigate the competitive environment including tips on how to shop for long-distance service and prepaid phone cards, how to read your phone bill and how to reduce unwanted telemarketing calls received at home.

Washington customers who experience service problems or billing disputes can use an online form to file a complaint directly with the commission. Visitors to the site can also file comments on current proceedings before the WUTC and access an downloadable electronic library of consumer articles, factsheets and brochures.

The website also has links to other consumer websites, which offer customers the ability to calculate the best long-distance rates currently available, learn more about energy conservation, fight telephone fraud, and track national developments on utility and transportation issues.

Consumer Brochures Updated

The UTC also has updated and revised its consumer brochures. Three "plain language" brochures are currently available. The **Consumer Services Guide** gives an overview of the Commission and how consumers can get information, file complaints, and participate in Commission proceedings. The **Utility Service Guide** provides electric, natural gas, and telephone customers with valuable information on their rights and responsibilities. The **Garbage and Recycling Service** brochure covers basic service information, and helps customers choose the level of service they need.

Free copies of the brochures are available by calling or writing the UTC. You can e-mail your request to info@wutc.wa.gov. Downloadable copies are available from the UTC website at www.wutc.wa.gov.

CONSUMER NEWS IN BRIEF

10-digit local dialing begins

Beginning now, telephone customers in the 360 area code are encouraged to dial the area code when making a local call and to include your area code when sharing or publishing your telephone number. This change will help with the transition to the new 564 area code, which is being introduced to help meet the demand for additional phone lines (and phone numbers).

Starting July 29, all local calls in the 360 area will require 10 digits (area code plus local number). The conversion to 10-digit local dialing allows the new area code (564) to be used in the same area as the 360 area code. No one will have to change telephone numbers and local calling areas will not change. Long-distance toll calls will still need to begin with a "1".

Customers in the 206 area code will likely go to 10-digit local dialing when a new area code is added sometime next year. For more information about 10-digit local dialing, call 1-888-437-0565 and ask for the new area code factsheet.

UTC Staff Comment on US West/Qwest merger

UTC staff are calling for better telephone service, more investment and tougher competitive safeguards as part of clearing the way for approving Qwest Communications International's proposed \$48 billion merger with US West, Inc.

Staff comments were part of testimony filed with the commission. Commissioners will make a final decision on the merger in early summer. Public hearings on the merger proposal will be scheduled around the state in early spring.

UTC Offers New Toll-Free TTY Number

The UTC has established a new toll-free TTY telephone number for the hearing-impaired. The number is 1-877-210-5963. For those in the local Olympia calling area, the existing 360-586-8203 number will remain active.

TTY service allows a hearing-impaired individual to communicate by typing their message, which is then transmitted to the recipient. Responses are sent back over the same device in "typewritten" form. To receive more information about the TTY service, contact Pat Valentine-Hazzard at 360-664-1133.

Pipeline Safety... Continued from page 1

Eventually, a state Office of Pipeline Safety may be formed, once Congress grants the needed authority. The arrangement would be much like that in truck or railroad safety where state inspectors, who are closer to the situation, would have authority to enforce federal as well as state standards. This should lead to an increase in the number of pipeline inspections in the state.

The Governor also has called for improvements to the "Call-Before-You-Dig" program. Under this program, contractors are supposed to call a central registry to locate pipelines before they begin excavation projects.

Third-party digging is a major cause of pipeline damage, with the cost to utilities and property owners running up to several hundred thousand dollars per year. In 1998, Washington state had over 5,000 leaks in mains and service lines and over 60% of these were caused by excavation damage. Reducing these incidents will save property owners and taxpayers significant costs.

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The Washington Energy Marketplace

... the end result will be a more diverse electric market.

Move over Reddy Kilowatt — it's a whole new world in the electric industry. Once considered sleepy providers of a basic service, today's electric utilities are adopting new technologies, introducing new products and services, entering into partnerships and mergers, and preparing for consumer choice.

Washington state consumers enjoy some of the lowest electric rates in the United States. As a result, our consumers use significantly more electricity than the national average but pay a significantly lower electric bill. Low power rates have also been key to the growth of energy-intensive industries, such as aluminum smelters. Keeping the benefit of these low rates has been a key consideration for policy makers looking at the changing energy market.

Washington also has an unusually large number of publicly-owned utilities. Some of these are operated by Public Utility Districts and others by cities (such as Seattle City Light). Approximately 55 percent of the state's electric customers are served by public power. The remaining 45% are served by investor-owned utilities, which are regulated by the UTC. This compares to a national average of 75% served by investor-owned utilities.

Each of the investor-owned electric companies in the state has undergone significant change in the past few years, both in their corporate structures and in their market strategies. Here's a snapshot.

Puget Sound Energy (PSE)

Puget was formed by the merger of Puget Sound Power and Light Company and Washington Natural Gas. Puget serves approximately 1.3 million electric and gas customers in Western Washington. Besides becoming a combined electric/gas utility, Puget has indicated a company strategy to sell its power plants and become a "distribution" utility. Puget currently purchases about 75% of the power it uses to serve its electric customers. Puget's headquarters are in Bellevue. PSE operates under a rate plan approved with the merger, which expires at the end of 2001.

Avista

Avista was formerly known as Washington Water Power. A combined gas/electric utility, it serves 550,000 electric and gas customers in Eastern Washington, with headquarters in Spokane. Avista has adopted a strategy of diversification and becoming a "growth" company, cutting its dividend and investing in new services such as national energy trading, telephony and bill consolidation. Avista has filed for a rate increase. Hearings are scheduled for the spring, with a decision expected later this year.

Pacific/Scottish Power

While customers will still see the name Pacific on their bills, corporate ownership transferred this year to Scottish Power. Headquartered in Edinburgh, Scotland, Scottish Power is one of the world's ten largest utilities. Pacific serves over 100,000 customers in Washington state, located mostly in the Yakima area. Pacific,

which serves throughout the western United States, is headquartered in Portland, Oregon. Pacific also has filed for a rate increase. Hearings are scheduled for the spring, with a decision expected later this year.

Policy Changes

A number of bills have been introduced in Congress to open electric markets to competition. Progress has been slow, and most observers expect that short-term action will focus on improving the reliability of the power system and increasing competition among power producers.

To date, Washington state has not enacted comprehensive legislation to open electric markets to competition. A number of regulatory changes have been made to allow the utilities to respond to competitive pressures, especially for industrial customers. At the residential level, Avista has conducted pilot programs for retail competition and the results are being reviewed. The state legislature has considered legislation requiring utilities to disclose the type of power they are providing customers, and the cost of various components of getting power to the customer.

Ultimately, many observers expect that the electric business will consist of a monopoly “wires” provider who will distribute power to your house, and a more competitive sector of power generators from whom you can choose.

Utilities are also testing new technologies, such as fuel cells, that could ultimately allow customers to generate power at home. And under a program known as “net metering” customers with renewable power generating sources, such as solar panels, can actually sell power back to the utility. How it all turns out won’t be known for years, but the end result will be a more diverse electric market.

What’s a PGA?

PGA. To most of the world those letters bring up visions of Tiger Woods and his fellow professional golfers. In the world of natural gas rates, they have a different meaning, which recently became clear in the form of higher rates for many Washington state gas customers.

PGA stands for “purchased gas adjustment.” It is a method designed to pass the actual costs of gas on to customers. To serve customer needs, utilities are constantly going to the market to buy gas. Each year, gas utilities make the best possible projection of the cost of gas supplies for the coming year. The actual costs are deferred for a year, and then spread to customers over the next year. If actual costs were lower than projected, customers see a lower rate. If costs were higher, rates go up.

Over the last year, gas prices increased sharply due to increased use and sharp increases in oil prices. This led to big increases in consumer rates at the end of 1999 as prospective rates were set for the year 2000, and the higher than expected cost of gas during 1999 began to be charged to customers. Depending on the company, rates for residential service increased up to 17%.

The UTC heard from numerous customers about “rate-shock” and in response is working with utilities to give customers more advance warning of unusually high increases in gas costs that will trigger rate increases.

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FREQUENTLY ASKED QUESTIONS



Slamming

Unless you're a professional wrestler, slamming is not a good thing. Slamming happens when your phone company is changed without your permission. The UTC has strengthened consumer protection rules designed to prevent slamming and to help you when you have been slammed.

How does slamming happen?

Part of the benefit of telephone competition is that you now get to choose from a number of long-distance companies to get the deal that's best for you. To make competition work, the process of changing phone companies has been kept simple — usually verbal approval is all that's required.

Sometimes people agree to change their phone company without realizing that is what they are doing. For example, you may receive a telephone call where the salesperson is unclear that he or she is really asking you to change phone carriers. In a few cases, telephone sales people have simply submitted change orders without ever talking to the customer. In either case, you haven't really agreed to the change and you've been slammed. It's very important to read your phone bill each month and confirm that the company providing your service is your preferred provider.

What should I do if I've been slammed?

If you've been slammed, first call the company that made the switch and tell them to switch you back to your preferred provider. You should also be credited for any charges billed by the company for any calls, and for any charges associated with changing carriers. If you don't get satisfac-

tion, file a complaint with the UTC by calling 1-800-562-6150, visiting our website at www.wutc.wa.gov, or writing us at P.O. Box 47250, Olympia, WA 98504-7250.

What are the remedies?

Our practice is to resolve slamming complaints by making sure you are restored to your preferred provider without charge, and that you don't owe the company that slammed you anything for the period you were slammed. You may still be billed for what you would have paid your preferred provider if the slam hadn't happened. We can't award "damages" to a customer for the inconvenience of being slammed but we can and do investigate and fine companies that violate anti-slamming rules.

Can I stop changes from being made to my service?

One way to protect yourself from slamming is by asking your local telephone company for a "preferred carrier freeze." If you freeze your account this way, the local phone company won't make changes to your carrier without direct, express consent from you. Preferred carrier freezes are provided at no charge.

We have much more information about slamming and telephone fraud at our website — www.wutc.wa.gov. You can also call us toll free at 1-888-437-0565 and request our "Telephone Customer Survival Kit" which includes information on slamming and other telephone consumer protection tips.

Thanks to Suzanne Stillwell and Vicki Elliott of the UTC Consumer Affairs staff for their help in preparing this FAQ.

FROM THE UTC LIBRARY

Learn about Recycling

Two important reasons to find out more about recycling are your wallet and our planet! In the short run, your garbage bill will likely be smaller if you recycle. In the long term, you will contribute directly to sustaining the Earth's natural resources when you recycle glass, cans, paper, plastic, yard waste, and more. The UTC publishes a fact sheet on residential curbside recycling that you can order directly from us (or download from our website).

Beyond our fact sheet, our state has other excellent resources for consumers who want to know more about recycling — how it works, why it is important, what the latest recycling trends are, and specific information on where and how to recycle in your community. Because recycling has become an everyday practice for many people, consumer information about recycling is sometimes not as visible as it was in the late 1980's and early 1990's. Here's where to look.

The **Department of Ecology** is a primary source for information about recycling. The agency's "recycling hotline" is available at **1-800-RECYCLE**. Just dial that toll-free number and talk to a real person any weekday between 8AM and 5PM. If you have an Internet connection, check out their 1-800-RECYCLE database at www.1800recycle.wa.gov anytime. Either way, you can find all the details about the particular recycling services (collection centers and pick-up services) that are available to households in your area.

You can also learn how recycling helps our environment. Did you know that the national aluminum can recycling rate is 2 out of every 3 cans. And those little cans add up to big savings — aluminum can recycling saves 95% of the energy needed to make aluminum from bauxite ore. While can recycling is well established and successful, gains still need to be made in plastics, where just one out of four plastic containers is recycled. These and other interesting "factoids" on **Ecology's "Recycling Facts and Trivia" webpage** at www.wa.gov/ecology. The page also has a fun section for kids who want to learn more about the hows and whys of recycling.

Thanks to UTC Librarian Mary Lu White for preparing this column. Have a topic you'd like to see featured? You can contact Mary Lu at 360-664-1199, or e-mail your suggestion to info@wutc.wa.gov.

Commissioner's Corner Continued from page 2

The changes aren't limited to electricity. Washington's telecommunications are often part of regional, national, or even global holding companies. US West, for example, serves 14 western states. GTE has received our approval to merge with Bell Atlantic. Also, these companies provide a mix of regulated and unregulated, interstate and intrastate services. As a result, to protect the public interest, we need to interact with regulators from throughout the region, as well as with federal agencies.

Fortunately, there are a number of bodies that exist to promote the kind of coordination and information sharing that is needed. The National Association of Regulatory Utility Commissioners (NARUC) ensures that the interests of state ratepayers are protected in federal policy debates. I serve on NARUC's Communications Committee, which addresses issues ranging from preserving universal telephone service to protecting consumers from telephone fraud. I also serve as Vice-President of the Western Conference of Public Service Commissioners, which is focusing on critical issues surrounding the Western power grid and water resources. My colleagues, Commissioners Hemstad and Gillis, are also prominently involved in issues such as electric system reliability and rural telecommunications.

So while our work on these national and regional issues may not be as traditional or visible as deciding a rate case, it is vital to ensuring the long-term affordability and quality of utility and transportation services. For those interested in these broader policy debates, our agency website (www.wutc.wa.gov) offers access to UTC reports on the issues as well as an excellent set of links to the most important national and regional organizations.

W A S H I N G T O N



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In This Issue

Understand how changes in energy markets may affect you, learn about the UTC's role in pipeline safety, find out how to protect yourself from telephone slamming, and check out our newly-remodeled website.

Free consumer publications for you. . .

Free Consumer Brochures

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Slamming (Unauthorized Service Changes)
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